

Discussion with WIFIA Officials

August 25, 2020

WIFIA Participants: **Raffael Stein, Jorianne Jernberg, Kevin McDonald, Arielle Gerstein, Jim Gebhardt**

Utah Participants: **Treasurer Damschen, Kirt Slauch, Phil Dean, Miranda Cox, Zach Renstrom, Brock Belnap, Jon Bronson, Johnathan Ward, Alyson Price**

1. What are your funding prospects for 2021 and 2022?
They can't say for certain but are fairly confident that they will continue at the levels from the couple of years. They were surprised by recent language coming from Congress but note that the reaction from those who want to use the program has been strong. They cannot lobby for more funds nor ask potential applicants to lobby Congress for funding.
2. Can you please confirm the calculation of the interest rate you charge for approved projects?
The rate is set at 1 basis point above the U.S. Treasury rate with a tenor equal to the weighted average life of the bonds they are purchasing. Recent rates have been about 1.40% for 35-40-year amortizations.
3. Do the recent Salt Lake City application and the Provo River Water Users Letter of Interest negatively affect the possible future application for the Lake Powell Pipeline project?
No. If they came in the same funding cycle, they would, but each new funding cycle ignores what has been funded by EPA region in the past.
4. What types of costs incurred prior to WIFIA assistance are eligible for reimbursement?
They have a very flexible look back provision. Planning, design, and almost any hard construction costs would be eligible.
5. Is a pledge of water revenues that are highly dependent on impact fees from future growth considered credit worthy?
It depends. They would look at various stress scenarios and also see what the revenues look like without any growth. This depends on how comfortable they are that the growth projections are realistic and will materialize. They noted that they can take a credit that is the equivalent of a BBB- from a national rating agency.
6. Can debt service payments ramp up over time to reflect projected revenues from population growth?
Yes. They are quite flexible with repayment structures. They recognize the benefit of generational projects with credit dependent on future population growth.
7. How long can multiple disbursements continue? Could draw go on through project completion, even if that takes five years? Draws can continue all the way through project completion with as many draws as the applicant would like, even up to monthly draws. They will ask for an anticipated draw schedule at closing.

8. Do you anticipate that your application schedule will stay the same as it was this year (with a Notice of Funding Available in July, a deadline for Letters of Interest in October, a three month evaluation period and project selection in the spring)?

The 2020 schedule was delayed. They hope to return to schedules used in the past. This will depend on if, and when, additional appropriations are obtained from Congress.

9. In your recent webinar, you indicated that many entities that submitted letters of interest in the past but were not invited to apply, were successful in subsequent years. Do you consider that some projects cannot wait to proceed through such a delay?

Yes, they try to take into account those projects that can and can't wait for their funding. Those who have been asked to re-apply in the past have generally been those who could afford to wait.

10. Will the four 2020 selection priorities (project is: 1) ready to go; 2) provides clean, safe drinking water with reduced contaminants; 3) provides for the repair, rehabilitation, and replacement of aging infrastructure; and 4) supports water reuse and recycling) remain the same going forward?

These four selection priorities haven't changed since the inception of the program and they don't anticipate that they would change – but, they can.

11. Is the new, required review by the OMB only to ascertain whether the project would be considered a “federal asset”?

Yes. WIFIA cannot, however, give a definitive definition of what is a “federal asset”. (Those projects that are the responsibility of the Army Corp of Engineers surely are federal assets.)

12. In your project criteria, repair, replacement and rehabilitation of aging infrastructure, and the reduction of exposure to lead and other contaminants are the two most heavily weighted elements. If a project cannot demonstrate that it accomplishes these two things while meeting all the other criteria in that evaluation category, how damaging is that to an application?

Applicants don't usually get all or none scoring on these criteria. Most projects have some aspect of repair and replacement or rehab in them. Of the last 38 approved applications, over 20 of them had some problems with these 2 criteria.

13. Would an application of up to \$1 billion of WIFIA funding reduce the chances of approval? (The webinar said that the amount of budgetary authority required to fund a project is a consideration for approval.)

Yes, project size is a consideration, but a large project would not be particularly penalized. Upsizing is better for estimating fees and for processing the credit.

14. Could 51% of a project be funded with a State General Obligation Bond while 49% is funded with a water revenue bond issued by a local water district and purchased by WIFIA?

They can't commit to a structure ahead of approval. They can take different security streams as collateral.

15. Could that water revenue bond be subordinate to the other water revenue bonds of the district?

They won't commit to a structure ahead of approval. Maybe, maybe not, on subordination. They do see challenges in such subordination.

16. If a pledge of both a state property tax and a local district's water revenues were pledged as collateral security through an Interlocal Agreement would WIFIA find that credit worthy?

They won't commit to a structure ahead of approval. An unlimited GO pledge by a state would probably be deemed credit worthy.

17. If such an Interlocal Agreement also contained an intercept mechanism whereby the state could withhold certain revenues from the local entities in the event that district revenues were insufficient to produce some minimum amount of revenues at certain benchmarked time intervals, would that cause WIFIA any concern?

They can be flexible in terms of structure, but won't commit to a particular structure ahead of approval. An unlimited GO pledge by a state would probably be deemed credit worthy. They will examine the statutory mechanisms.

Structure can be difficult to evaluate in the Letter of Interest phase of the process. If we go forward, we should describe all the various structuring options we are considering.

18. Does WIFIA care if an applicant is a state or a local water district?

No.

19. Are the American Iron and Steel requirements the same as those found in other "Buy America" provisions?

No. There are some differences. WIFIA is less restrictive than TIFIA (federal highway) provisions. All required steel gets stamped. (Kevin was going to send a link with an explanation.)

20. If we are interested, when should we start the process?

Up to 18 months ahead of funding needs. Not before 30% of the design is complete – but as soon as possible thereafter.

21. Is WIFIA following the one-federal-agency-decision-maker policy for these projects.

Yes, and they like it.